

The Maine Community Exchange

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Right-Sizing
Rural America

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**Message from
USDA Rural
Development
State Director
Michael W. Aube**

Consolidation is an issue that affects us in many ways. Our children, our health, our safety all can be impacted by decisions to consolidate services. Due to recent efforts (which are explored further in this publication), Maine is facing change, and change is can be difficult.

However, when brought about by collaboration, knowledge, and cooperation, it can be beneficial to Maine people.

USDA Rural Development offers tools which can be combined with local resources to support local decisions and "invest in place" to sustain rural communities.

For instance, as a result of recent Distance Learning Telemedicine Program investments, seven educational facilities are equipped with technology that allows them to share information with other students in the state and throughout the country, and five health

care organizations have been assisted in extending quality care to a larger number of patients over a wider geographic area.

Through pooling resources to enhance local strategies and investing in new technologies that complement local delivery systems, rural communities can take advantage of opportunities to expand their horizons.

Guest columns included in this publication are exclusively the views of the author.



Pictured are: Health Access Network Medical Director Noah Nesin, M.D.; Health Access Network Chief Executive Officer Dawn Cook; United States Senator Susan M. Collins; USDA Rural Development State Director Michael W. Aube; and Bangor Savings Bank Senior Vice President Patrick Kelly.

Health Access Network recently celebrated an investment by USDA Rural Development and Bangor Savings Bank for construction of its new facility.

The new location at 175 West Broadway in Lincoln will allow for six separate administrative sites to be combined in the new location. This consolidation will allow for expanded access to care in one convenient location.

"Rural Development has been so critical to financing the ability to offer health care to so many people in Maine. It has such an important role to play in the health care community and to people insured or uninsured."

-United States Senator Susan M. Collins

"Right-Sizing" Rural America: Technology Reshuffles the Deck on Consolidations

By Thomas C. Dorr

Technology is reshaping our world at an ever-increasing pace. While change can be unsettling, it also creates new opportunities. For rural America,

the age-old debate about "consolidation" is just one of the many things -- in the age of the internet and distributed computing -- that will no longer be the same.

For decades, rural communities have been losing schools and hospitals for the same reasons they have lost businesses and other services. (Continued on page 6)



Thomas C. Dorr,
Agriculture Under
Secretary, USDA
Rural Development

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An Update on Maine School Consolidation

By Susan Gendron
Guest Columnist

K-12 public school enrollment is declining rapidly – more than 4,000 students just last year, a 10 percent drop in the past decade; costs are skyrocketing; and we have an important responsibility to prepare all Maine students to succeed in the 21st century. Maine has prided itself in its investments in education but also has raised questions about what is affordable and how do we balance the cost among

the state and local communities.



Susan Gendron

Our academic performance is declining compared to the rest of the nation.

(Five years

ago Maine ranked 5th in the nation in math test scores. Now we are in the middle of the pack.) An independent review of our educational system by Michael Fullan, an international expert, recommended Maine tackle its infrastructure. The large number of school districts in our state has led to a lack of a coherent approach to achieving the Maine Learning Results.

I believe, and the experts believe, that fewer, better resourced districts will produce better opportunities for students.

There has naturally been some apprehension about the new School Administrative Reorganization Law, enacted last June by the Legislature. It represents a significant change to the way students are educated in Maine by requiring larger, comprehensive K-12 school districts in order to improve efficiencies and the delivery of educational services.

The interesting thing is that it is not such a significant change at all: Regional School Units (RSUs), as required by the law, look a lot like School Administrative Districts, (SADs) which have worked quite well in all parts of the state for almost 50 years. In fact, the statutory language that governs these new RSUs is taken almost word-for-word from previous SAD law.

So if RSUs look so much like SADs, why did Maine pass a law to reorganize school districts? Two reasons: educational opportunities and sustainability (money).

As evidenced by the current budget shortfall, state funding is getting tighter. While Maine has injected over \$500 million more into K-12 education over the past three years (as a result of LD1), that steep ramp-up of money for education is quickly flattening. The 2008-09 increase in subsidy is a minimal \$5.5 million, meaning slight increases for some units and reductions

for others. The promise that school districts would return that money to property taxpayers in the form of lower mill rates did not materialize.

And now the state spending limits that govern spending elsewhere in state and local government will be required for education spending. Meanwhile, enrollments are declining rapidly in many school districts. Even some larger school units will find it hard to sustain vital programming, much less consider innovative additions.



Reorganizing our school governance structures is a big change, and yet preserves local schools in each community. Students will continue to attend the same schools with the same principals and play on the same sports teams. For SADs, larger RSUs won't look that different from what they are used to. But students will benefit as vital programming is preserved and a larger group of schools and school board representatives participate in designing the curriculum and programming, drawing on the educational and financial strengths of a larger community.

-Susan Gendron is Commissioner for the Maine Department of Education

It Is About Students

By Peter Geiger
Guest Columnist

As this article was written, the school district reorganization issue was yet to be resolved in the Maine legislature. Rather than bemoan what has or has not happened, I want to share with you the reason I personally support district reorganization and why the Maine Coalition for Excellence in Education has been an advocate. District reor-

ganization is one portion of a much larger vision needed for improving education for Maine students.

The Coalition is a statewide organization that believes that all Maine students – regardless



Peter Geiger

of the community in which they reside – should have the opportunity for a rich, rigorous and relevant education. Students in rural Maine, urban, and suburban areas of the state need to graduate from high school with the necessary and required knowledge and skills to be successful in whatever they choose to do. We can't lose sight of the fact that the skills needed for this century are different than when people of my generation graduated. (continued on page 6)

The Inside View: How Consolidation will Change Corrections in Waldo County

By Scott Story
Guest Columnist

Please keep in mind that as this article is being written, legislation is framing all of this, so some change from the original plan is quite likely. Having said that, we have put together some fundamental assumptions of what should take place regardless of the finer details.

On the positive side of this plan is the State's commitment to freeze the property tax assessment for the costs of corrections in the counties as well as support any increases in costs that are considered to be within an "acceptable" growth rate by the newly formed Board of Corrections. This in itself is property tax relief considering the increases in the costs of corrections over the past several years. If the State is willing and able to stick with this commitment, future county budgets will not be cannibalized to support corrections, as we unfortunately have been dealing with over the last few years of trying to stay under the LD 1 cap.

Consolidation in Waldo County and elsewhere with the state assuming the increased costs will now put the bills in the hands of those who will have the largest influence on the populations. I have argued for

years that it is state legislators who make state laws which are prosecuted by state attorneys, in front of state judges, with clients sent to state probation officers, who ultimately land in county jails. This new system will help by having many of the cost drivers in the bill-paying business as well. Make no mistake, I don't presume to blame the people above for our corrections costs, it is a systemic problem that will require systemic change.

While you can't paint corrections statewide with a broad brush, certain services and commodities can be purchased and or performed with consistency throughout. Food services, medications, medical services, pre-trial services, post-conviction and re-entry programming are all necessary in this system and should be examined for the possibility of efficiency through bulk purchases or contracts. This could produce better quality correctional services as well as increased savings to the taxpayer.

A concern of many is that the funding will not be there at the state level to adequately fund the growth in the system, with cannibalization of same at the county level to make up deficits in funding. This could affect Waldo County as one of those facilities originally slated for closure in the State's original takeover plan. Such an action could potentially leave municipalities with additional expenses and inconveniences they presently do not incur.

Finally, while the majority of our citizenry will likely be excited to see the jail go, it is just the first step in the erosion of their local control. We all know that the closer our tax dollars are to us, the thriftier we can be with them.

I always refer to the little town meetings many of us attend every spring where we argue over a \$500 contribution to some social service group. The bottom line is that **we have control over it**. The further you get away from local government, the less control you have.

Consolidation can be taken to any level that the people want. Five towns into one, sixteen counties into three, six New England States into one, where does it all end? I heard a legislator once comment that the counties were an archaic form of government that was a couple hundred years old and outdated. I would contend that this country is still governed today by a document that was adopted in 1787, the United States Constitution, older than most counties, but it still works!

-Scott Story is Sheriff for Waldo County Office of Corrections



Scott Storey

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Consolidation of Health Care Services in Maine

By Frank Johnson
Guest Columnist

It's inevitable that the health care industry is confronted by cost pressures to consolidate services. Since the health care sector often doesn't respond to economic forces in the same manner as other industries, we shouldn't assume that consolidation will necessarily produce efficiency. Unlike other sectors of the economy the health care industry doesn't get rewarded for high quality and efficiency. Payment is based almost exclusively on volume of services.

The fact that many Maine hospitals and physician practices have invested hundreds of thousands of dollars to improve patient safety and clinical quality is a testimony to their mission and commitment to high quality care. Until recently it's a very rare instance when providers see a financial reward for providing safe, high-quality, efficient care. We have a perverse reimbursement system that pays for the tests that are ordered, the number

of office visits, and the volume of procedures performed rather than for the outcome of care for the patient.

Several studies have concluded that 30% of the nation's direct expenditures



for health care are for poor quality. Poor quality has been defined as the underuse of evidence-based medicine, unwarranted variation in rates of services, overuse of marginally effective or unnecessary services and system flaws. Slightly more than 50% of Americans with chronic illnesses are receiving recommended treatment. How efficient can a system be when nearly a third of the payments are for care that does nothing to improve our health?

Still there are pressures to consolidate, particularly for smaller, rural providers. For better or worse, the solo family physician practice is becoming as dated as a Marcus Welby re-run. Rural hospitals struggle to find the balance between serving the community needs and remaining solvent. As a result of these challenges, many providers have become part of larger health systems. This arrangement is designed to create efficiencies and to support the smaller practices and institutions.

Does it work? Many would argue that it has worked. Clearly the large health systems are often better equipped to invest in and support needed information technology. These investments are of great value to small practices and community hospitals. We are anxious to see if the consolidation into larger health systems will reduce the wide geographic variation in the use of certain procedures and services. There's also the fact that integrated health system models have the potential to improve care for chronically ill patients and may be able to challenge the current reimbursement system. (continued on page 7)

Streamlining Health Care in Maine

By Trish Riley

Maine's demography influences our health. With 1.3 million people spread out over a geography as large as the rest of the New England states combined, we are challenged to effectively and efficiently deliver public health at the local level.

We need improvements because Maine spends more per capita on health care than all but one other state and, chronic illness is a cost driver. Nearly 37% -- or \$1.2 billion of Maine's increase in health spending (1998 – 2005) is attributable to leading chronic illnesses that are often preventable – cardiovascular disease, cancer, chronic lung disease and diabetes.

Our public health system has been successful in reducing the rate of tobacco use, the number of infant deaths and improving our health, but a more strategic approach to health care delivery would strengthen our capacity to prevent disease, particularly chronic illness.

But, making changes in health status requires personal and local action and collaborations among providers and patients. In 2004, the Governor's Office of Health Policy and Finance with the Maine CDC convened the Public Health Work Group to build a public health infrastructure that will more effectively bring information, education, and support to the local and regional levels.

The Public Health Work Group has completed its planning work and has established eight public health districts with a robust system of comprehen-

sive community health coalitions or Healthy Maine Partnerships. The Public Health Work Group has established a roadmap to complete a consolidated, more efficient and effective statewide public health infrastructure.



Trish Riley

As a first step, over 150 grants and contracts were consolidated to 28 by the Maine CDC, the Office of Substance Abuse, in DHHS in collaboration with the Maine Department of Education. (continued on page 7)



Roving Reporter Rural Rover

Message from USDA Rural Development Mascot Rural Rover:

Welcome to my column, where you can find out answers to your questions on topics of interest to rural Maine- you might even say I have a "nose for news!" If you've never met me, I am Rural Development's Mascot, Rural Rover, and I

travel around Maine sharing information about the Programs of USDA Rural Development. Don't be left in the doghouse- read my column!

This Issue Rural Rover Asks: What is the Impact of Consolidation on Maine Residents?



This issue, I met with Martha Freeman, Director of the Maine State Planning Office, to find out what the issues are concerning consolidating essential services in Maine.

Q. What do you feel may be behind the hesitancy of some to embrace consolidation?

A. The Maine economy has been in rapid transition for 10 to 20 years. Our economy was based in manufacturing—textiles, shoes, paper—and natural resource extraction—forest products, farming, fishing—for decades. In the United States, labor-intensive manufacturing began to diminish a generation ago as industries moved overseas. Maine held onto some of its higher-paying manufacturing jobs longer than many states. But technology and the global economy have changed all: today we make more paper in Maine than ever before, but technology permits this with fewer workers using new skills. Land development in Maine, even in rural areas, pressures farmers. Those who make their living from the sea struggle with declining stocks, the costs of fuel, and competition. Maine people are experiencing a great deal of change in their economic lives. At the same time, we're asking them to embrace change in some fundamentals of the Maine community—in schools, jails, and hospitals.

Also, we're Mainers! We have two centuries of history behind us that involves 16 counties, over 280 school districts, and almost 500 organized municipalities with community hospitals serving many of them. All of this spread over a land area the size of the rest of New England with just 1.3 million inhabitants. And those inhabitants have a median age of 41.1 years, making us the oldest state in the nation. No wonder we hesitate when asked to change.

Q. What accomplishments have been made in Maine regarding consolidating health care, education, and correctional facilities?

A. Last year's school consolidation law is a huge accomplishment. Education accounts for the largest expenditure of state and local revenues. It's 48% of the state budget. Fifty-seven percent of combined state taxes and property taxes are spent on schools. That's billions of dollars spent on K-12 education in Maine. Every dollar possible must be spent on classroom instruction, not excess administration. Many Maine communities have embraced school consolidation. Some are still struggling with this change. But for the well-being of our students, taxpayers, and economy, there's no going back. The Governor's Office of Health Policy and Finance has also done much to create data-sharing, health planning, and efficiencies to help us develop a health care system in Maine. Right now, county and state corrections officials are finishing a joint plan for creating a unified corrections system. Having those officials planning together is an accomplishment in itself. Getting the Legislature's endorsement is a necessary next step. Also, achieving the Legislature's endorsement of a summer study of reorganizing the state natural resource departments is important.



Martha Freeman,
Director, Maine State
Planning Office

Q. What are the specific benefits you foresee as a result of consolidation in the next two years?

A: Consolidation efforts aim at two goals: The first is to use resources frugally so that we're investing in programs to help our citizens compete in the global economy, while preserving Maine's unique character. With school consolidation, we'll see educational opportunity increase for Maine children wherever they live. The second goal, strangely, is to protect yet modernize Maine's penchant for local control. If we don't have more regional approaches to governing, if we don't take advantage of technology to spread services at less cost, if we don't have cooperation among different levels of government and nonprofit administration, we'll be able to claim we've preserved local control—but we'll actually have given up effective control of Maine's destiny. Decisions will be made in one town or at one level of government that impact fellow citizens—from land use to school facilities to health care—without their participation. We won't be exercising truly effective control over the quality of our lives and our state. For example, within the county jail system there are currently 400 empty inmate beds. Yet some counties must board out inmates, the state system is overcrowded, and five new jail projects are being contemplated. We can't afford this type of uncoordinated approach to essential services.

“Right-Sizing” Rural America: Technology Reshuffles the Deck on Consolidations *(continued from page 1)*

Very simply, everywhere one looked, economies of scale drove consolidation. Bigger tended to mean better, and cheaper. That's a tough combination to beat.

Technology, however, is changing the game. Rural communities are finding new opportunities to compete effectively as service providers.

Rural health care is an excellent example. Gone are the days when a small rural hospital needed to be all things to all people. Today, a rural Critical Access Hospital can specialize in routine, ambulatory, and emergency care. It can be linked via broadband to world-class medical center diagnostic and consultative resources, while patients in need of specialty services can be transported for treatment. Small rural hospitals have a new niche – and a new lease on life.

It's the same story in education. The case for school consolidation traditionally rested on the need to increase enrollment to support an expanded curriculum. That, of course, is still a factor, but computer-based and distance learning allows schools to access remote resources and achieve economies of scale at much lower size thresholds. Rural schools

capacities in this area. In addition, the agency has invested over \$1.6 billion in loans for projects to provide rural broadband service. Rural America is going online, and there is no going back.

These technologies allow rural businesses, hospitals, and schools compete with larger rivals. They mean big organizations can decentralize operations, which creates opportunities for smaller communities. They make small towns, with their quality of life and cost of living advantages, more attractive places to do business.



that might otherwise be candidates for consolidation have new ways to compete.

To help rural communities exploit these opportunities, [USDA Rural Development's](#) Distance Learning and Telemedicine Program, since 2001, has invested over \$300 million to assist 7,745 rural schools and health care facilities in developing their ca-

The playing field is being leveled. Broadband and distributed computing represent the greatest decentralization of information since the invention of the printing press -- and in an increasingly knowledge-based economy, that spells new opportunity for rural America.

-Thomas C. Dorr is Agriculture Under Secretary for [USDA Rural Development](#), Headquartered in Washington D.C.

It Is About Students *(continued from page 2)*

Today's economy requires that our students are prepared with a higher level of literacy than ever before. A number of reliable reports have been issued warning that Maine must streamline the way public education is delivered. Declining student enrollment, rising property values, and legitimate competing priorities were highlighted as reasons the status quo of administering and maintaining over 280 districts is not practical and that we were heading for the “perfect storm.” Clearly, fewer, better resourced districts will produce improved opportunities for students and relief for taxpayers.

The status quo is unsustainable...there simply is not enough money to fund education the way it should be funded with all the other competing priorities.

Those of us in business realize that during reorganization, savings are not necessarily realized in the first couple of years, but the end result is a more efficient, quality operation. This same premise has to pertain to education if we are to fulfill our responsibilities to Maine students. Otherwise, we risk falling farther behind in skills and educational attainment. The potential for greater success in education is within our reach if we collectively keep our focus on what is best for students.

The Maine Coalition for Excellence in Education asked that policy makers develop a student-focused plan for district reorganization with the principal objective of improving student performance and creating richer opportunities for students. Acknowledging Maine's current economic environment, now, more than ever, we need to use our educational resources more effectively to produce better student learning in every school across the state. Maine students deserve nothing less.

-Peter Geiger is the Chair of the Maine Coalition for Excellence in Education and Executive Vice President of Geiger Bros.

Consolidation of Health Care Services in Maine (*continued from page 4*)

What are the pitfalls? Despite financial limitations, many small providers have used their ingenuity to deliver high-quality, efficient care. Individually and collectively several rural Maine hospitals have implemented systems to dramatically improve medication safety protocols. We certainly don't want to promote consolidation that might stifle innovation. There is also some apprehension that the large health systems can be difficult to move. Believe me, after over 30 years in state government I can attest to the fact that inertia can be a barrier to systems improvements.

Many purchasers of health care would argue that consolidation alone will not provide a cure for our health care system. We need to change the way we buy health care services. In the short-term that means introducing incentives that encourage patients to receive care from providers who can demonstrate better quality and efficiency. The state employee health plan tiers benefits for hospital and primary care services based on patient safety and selected clinical quality performance. There are financial incentives to go the higher-rated providers. The plan is to introduce costs into the value equation.

In the longer-term we must radically change the current provider reimbursement methods. There have been small steps toward paying providers for performance but these have been like re-arranging the deck chairs on

the Titanic. Changing a system that has evolved over seventy years poses a daunting challenge. But the prospects of improving safety, quality and efficiency without introducing a more rational payment system based on value rather than volume appear very remote.

If consolidation can help facilitate the widespread implementation of evidence-based medicine, reduce the use of unnecessary (but profitable) procedures, and foster efficiency, we should embrace it enthusiastically. Until then, consolidation of the health care market should be judged by its results rather than its promises.

-Frank Johnson is Executive Director of the State Office of Employee Health and Benefits Plan

Streamlining Health Care in Maine (*continued from page 4*)

This consolidation created a more efficient and effective Healthy Maine Partnerships system by strategically coordinating funding for tobacco, substance abuse, physical activity, nutrition, school health coordination, cancer screening, chronic disease prevention combined into a single Healthy Maine Partnership contract to assist in more strategic interventions at the

local level. In addition, Maine CDC has out-stationed staff to the districts and is working with local communities to strengthen the Local Health Officers system. Over the next two years Maine CDC will complete the implementation of a more streamlined statewide public health infrastructure to develop a plan to improve immunization rates in the state; to publicize and promote worksite wellness among the smallest businesses in Maine and to work at the local level to examine data regarding how health care costs vary district to district and develop

strategic approaches to secure more efficient and effective care.

The public health infrastructure will play an integral role in achieving the goals of Maine's State Health Plan – "to make Maine the healthiest state with the most effective and efficient health care delivery system."

-Trish Riley is Director, Governor's Office of Health Policy and Finance for the State of Maine
Source: Draft State Health Plan, 2008-2009

Websites Related to Issues on Consolidation

Maine Coalition for Excellence in Education
The Maine State Planning Office
The Governor's Office of Health Policy and Finance
The Maine Department of Education
The Maine Department of Corrections

www.mainecee.org
www.maine.gov/spo
www.maine.gov/governor
www.maine.gov/education
www.maine.gov/corrections

In Our Fall Issue: The Maine Community Exchange will explore cultural tourism and its role in Maine's economy, as well as examples of successful projects that are sustaining rural communities and what is planned for the future of cultural tourism in Maine.



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